

**Tennessee Comprehensive Health Insurance Pool**

**For the Years Ended  
June 30, 1996, and June 30, 1995**

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August 11, 1997

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
and  
The Honorable John Ferguson, Commissioner  
Department of Finance and Administration  
State Capitol  
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Comprehensive Health Insurance Pool for the years ended June 30, 1996, and June 30, 1995. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

As further discussed in the Background and Organization section of this report, the Tennessee General Assembly, in 1996 Public Chapter 1020, dissolved the Tennessee Comprehensive Health Insurance Pool.

Consideration of the internal control structure and tests of compliance resulted in no audit findings.

Very truly yours,

W. R. Snodgrass  
Comptroller of the Treasury

WRS/cr  
96/118

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Tennessee Comprehensive Health Insurance Pool**  
For the Years Ended June 30, 1996, and June 30, 1995

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## AUDIT OBJECTIVES

The objectives of the audit were to consider the pool's internal control structure; to determine the fairness of the presentation of the financial statements; to determine compliance with laws, regulations, and contracts; and to recommend appropriate actions to correct any deficiencies.

## AUDIT FINDINGS

The audit report contains no findings.

## BACKGROUND

The Tennessee General Assembly, in 1996 Public Chapter No. 1020, dissolved the Tennessee Comprehensive Health Insurance Pool.

## OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
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**Audit Report**  
**Tennessee Comprehensive Health Insurance Pool**  
**For the Years Ended June 30, 1996, and June 30, 1995**

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# **Tennessee Comprehensive Health Insurance Pool For the Years Ended June 30, 1996, and June 30, 1995**

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## **INTRODUCTION**

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### **POST-AUDIT AUTHORITY**

This is a report on the financial and compliance audit of the Tennessee Comprehensive Health Insurance Pool. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

### **OBJECTIVES OF THE AUDIT**

The objectives of the audit were

1. to consider the pool’s internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine the fairness of the presentation of the financial statements;
3. to determine compliance with laws, regulations, and contracts; and
4. to recommend appropriate actions to correct any deficiencies.

**Although this audit was not intended to serve as an organization-wide audit as described in the Single Audit Act of 1984 and Office of Management and Budget (OMB) Circular A-128, “Audits of State and Local Governments,” it included tests of compliance with applicable federal laws and regulations and consideration of the internal control structure. This audit is a segment of the organization-wide audit of the State of Tennessee, which is conducted in accordance with the Single Audit Act of 1984 and OMB Circular A-128.**

## **SCOPE OF THE AUDIT**

The audit was limited to the period July 1, 1994, through June 30, 1996, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 1996, and June 30, 1995. The Tennessee Comprehensive Health Insurance Pool has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

The audit covered fund 57 of the State of Tennessee Accounting and Reporting System.

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## **BACKGROUND AND ORGANIZATION**

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### **LEGISLATIVE HISTORY**

The Tennessee Comprehensive Health Insurance Pool was created by the General Assembly in 1986 through Public Chapter 870 and codified as Title 56, Chapter 39, *Tennessee Code Annotated*. The purpose of the pool was to provide access to health insurance coverage to all Tennessee residents who are denied adequate health insurance for any reason from any insurer. The majority of Title 56, Chapter 39, concerning the pool and the Board of Directors was subsequently transferred to *Tennessee Code Annotated* Sections 56-7-2326 through 56-7-2346 pursuant to 1992 Public Chapter 984, Section 1. Coverage for all participants was terminated on July 1, 1995, as the pool was discontinued because the State of Tennessee initiated TennCare. Pursuant to 1996 Public Chapter 1020, *Tennessee Code Annotated* Sections 56-7-2326 through 56-7-2346 were deleted in their entirety and as such the pool and the Board of Directors were terminated effective June 30, 1996.

The 1998 Appropriations Act, Section 41, Item 35, states that any remaining TCHIP assets at June 30, 1997, shall be transferred to the state's general fund.

### **ORGANIZATION**

The Tennessee Comprehensive Health Insurance Pool Board of Directors oversaw the administration of the pool. The Board of Directors consisted of nine members selected by the Commissioner of the Department of Commerce and Insurance. The board at all times, to the extent possible, included at least one representative of a domestic insurance company licensed to transact health insurance; one representative of a foreign insurance company; one representative of a domestic nonprofit health care service plan, one representative of a health maintenance organization; one representative of a health-related profession; one member of the general public who was not associated with the medical profession, a hospital, or an insurer; and one member who represented a group considered to be "uninsurable."

In making appointments to the board, the commissioner strived to ensure that at least one person serving on the board was 60 years of age or older and that at least one person serving on the board was a member of a racial minority. The board members served a three-year term.

The Department of Finance and Administration was responsible for processing all payments and cash receipts of the pool through the state's accounting system. The Department of Commerce and Insurance surveyed all insurance companies doing business in the state and processed the assessments made against insurance companies.

The contractor, Blue Cross and Blue Shield of Tennessee, Inc., was the administrator for the pool. As administrator, Blue Cross and Blue Shield processed all participant applications, made all claim payments, and received, collected, and deposited all premiums from the participants.

An organization chart for the pool's administration is on the following page.

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## **PRIOR AUDIT FINDINGS**

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There were no findings in the prior audit report.

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## **RESULTS OF THE AUDIT**

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### **AUDIT CONCLUSIONS**

#### Internal Control Structure

As part of the audit of the Tennessee Comprehensive Health Insurance Pool's financial statements for the years ended June 30, 1996, and June 30, 1995, we considered the internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. The report on the internal control structure is on the following pages.

#### Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the financial statements of the Tennessee Comprehensive Health Insurance Pool. In our opinion, the statements included in this report present fairly, in all material respects, the financial position of the pool as of



June 30, 1996, and June 30, 1995, and the results of its operations and cash flows for the years then ended. The independent auditor's report follows the compliance report.

#### Compliance with Laws and Regulations

The results of our audit tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards. Immaterial instances of noncompliance, along with recommendations and management's responses, are included in the findings and recommendations. The compliance report follows the report on the internal control structure.

**Report on the Internal Control Structure Based on an  
Audit of the Financial Statements Performed in Accordance With  
*Government Auditing Standards***

December 20, 1996

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Tennessee Comprehensive Health Insurance Pool, a component unit of the State of Tennessee, as of and for the years ended June 30, 1996, and June 30, 1995, and have issued our report thereon dated December 20, 1996. As described in Note 1 to the financial statements, the Tennessee General Assembly, in 1996 Public Chapter 1020, dissolved the Tennessee Comprehensive Health Insurance Pool.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The pool's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any

The Honorable W. R. Snodgrass  
December 20, 1996  
Page Two

evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the pool's financial statements for the years ended June 30, 1996, and June 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the pool's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/cr

**Compliance Report Based on an Audit of the  
Financial Statements Performed in Accordance  
With *Government Auditing Standards***

December 20, 1996

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of the Tennessee Comprehensive Health Insurance Pool, a component unit of the State of Tennessee, as of and for the years ended June 30, 1996, and June 30, 1995, and have issued our report thereon dated December 20, 1996. As described in Note 1 to the financial statements, the Tennessee General Assembly, in 1996 Public Chapter 1020, dissolved the Tennessee Comprehensive Health Insurance Pool.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Tennessee Comprehensive Health Insurance Pool is the responsibility of the pool's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the pool's compliance with certain provisions of laws, regulations, and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards.

The Honorable W. R. Snodgrass  
December 20, 1996  
Page Two

We did, however, note certain immaterial instances of noncompliance that we have reported to the pool's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/cr

## **Independent Auditor's Report**

December 20, 1996

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the Tennessee Comprehensive Health Insurance Pool, a component unit of the State of Tennessee, as of June 30, 1996, and June 30, 1995, and the related statements of revenues, expenses, and changes in fund equity and cash flows for the years then ended. These financial statements are the responsibility of the pool's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Comprehensive Health Insurance Pool, as of June 30, 1996, and June 30, 1995, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

The Honorable W. R. Snodgrass  
December 20, 1996  
Page Two

As described in Note 1 to the financial statements, the Tennessee General Assembly, in 1996 Public Chapter No. 1020, dissolved the Tennessee Comprehensive Health Insurance Pool.

Our audits were conducted for the purpose of forming an opinion on the financial statements, taken as a whole. The accompanying financial information, following the notes to the financial statements, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements, taken as a whole.

In accordance with generally accepted government auditing standards, we have also issued reports dated December 20, 1996, regarding our consideration of the Tennessee Comprehensive Health Insurance Pool's internal control structure and its compliance with laws and regulations.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/cr

TENNESSEE COMPREHENSIVE HEALTH INSURANCE POOL  
BALANCE SHEETS  
JUNE 30, 1996, AND JUNE 30, 1995

(Expressed in Thousands)

	<u>June 30, 1996</u>	<u>June 30, 1995</u>
<u>ASSETS</u>		
Current assets:		
Cash (Note 2)	\$ 205	\$ 707
Accounts receivable	<u>-</u>	<u>6</u>
Total assets	\$ <u>205</u>	\$ <u>713</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
Liabilities:		
Current liabilities:		
Warrants payable	\$ 1	\$ 162
Accounts payable and accruals	102	501
Deferred revenue	<u>-</u>	<u>18</u>
Total liabilities	<u>103</u>	<u>681</u>
Fund equity:		
Retained earnings, unreserved	<u>102</u>	<u>32</u>
Total fund equity	<u>102</u>	<u>32</u>
Total liabilities and fund equity	\$ <u>205</u>	\$ <u>713</u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE COMPREHENSIVE HEALTH INSURANCE POOL  
STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN FUND EQUITY  
FOR THE YEARS ENDED JUNE 30, 1996 AND JUNE 30, 1995

(Expressed in Thousands)

	Year Ended <u>June 30, 1996</u>	Year Ended <u>June 30, 1995</u>
<u>OPERATING REVENUES</u>		
Premiums	\$ 23	\$ 4,532
Other	<u>101</u>	<u>-</u>
Total operating revenues	<u>124</u>	<u>4,532</u>
<u>OPERATING EXPENSES</u>		
Contractual services	61	225
Benefits	-	6,751
Other	<u>12</u>	<u>-</u>
Total operating expenses	<u>73</u>	<u>6,976</u>
Operating income (loss)	<u>51</u>	<u>(2,444)</u>
<u>NONOPERATING REVENUES</u>		
Interest income	<u>19</u>	<u>155</u>
Total nonoperating revenues	<u>19</u>	<u>155</u>
Net income (loss)	70	(2,289)
Fund equity, July 1	<u>32</u>	<u>2,321</u>
Fund equity, June 30	\$ <u><u>102</u></u>	\$ <u><u>32</u></u>

The notes to the Financial Statements are an integral part of this statement.

TENNESSEE COMPREHENSIVE HEALTH INSURANCE POOL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 1996 AND JUNE 30, 1995

(Expressed in Thousands)

	<u>June 30, 1996</u>	<u>June 30, 1995</u>
Cash flows from operating activities:		
Operating income (loss)	\$ <u>51</u>	\$ <u>(2,444)</u>
Adjustments to reconcile operating income to net cash from operating activities:		
Decrease in accounts receivable	6	240
Decrease in warrants payable	(161)	(181)
Decrease in accounts payable	(399)	(1,904)
Decrease in deferred revenue	<u>(18)</u>	<u>(1,136)</u>
Total adjustments	<u>(572)</u>	<u>(2,981)</u>
Net cash used for operating activities	<u>(521)</u>	<u>(5,425)</u>
Cash flows from investing activities:		
Interest received	<u>19</u>	<u>155</u>
Net cash provided by investing activities	<u>19</u>	<u>155</u>
Net increase (decrease) in cash	(502)	(5,270)
Cash, July 1	<u>707</u>	<u>5,977</u>
Cash, June 30	\$ <u><u>205</u></u>	\$ <u><u>707</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**Tennessee Comprehensive Health Insurance Pool**  
**Notes to the Financial Statements**  
**June 30, 1996, and June 30, 1995**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Termination of the Pool**

The Tennessee Comprehensive Health Insurance Pool (TCHIP) was established in 1986 to provide access to health insurance coverage to all residents of Tennessee who were denied adequate health insurance for any reason from any insurer. In addition, all individuals who had been a resident of Tennessee one year and were not eligible for other health insurance coverage were eligible to participate. TCHIP exercised its power and authority through a Board of Directors, which was authorized to select an Administrator to provide for insurance coverage administration. The pool and Blue Cross and Blue Shield of Tennessee entered into a contract, effective July 1, 1990, to provide for the administration of a health insurance pool for Tennesseans unable to secure coverage through other means.

Coverage for all participants was terminated on July 1, 1995, as the Pool was discontinued because the State of Tennessee initiated TennCare. Tennessee Code Annotated, Section 56-7-2346, provided for the termination of the pool, requiring that whenever the board determined that the number of insured in the comprehensive health insurance pool had declined as a result of another state-sponsored health plan to a point that continuation of the pool was no longer feasible, a plan would be developed and implemented for the orderly termination of the pool.

The financial statements reflect the agency's financial position at June 30, 1996, and June 30, 1995. The TCHIP Board of Directors ceased to exist on June 30, 1996. The Tennessee Department of Finance and Administration, Division of Insurance Administration, has assumed all powers, duties, contractual obligations, and functions of the agency.

The 1998 Appropriations Act, Section 41, Item 35, states that any remaining TCHIP assets at June 30, 1997, shall be transferred to the state's general fund.

**Tennessee Comprehensive Health Insurance Pool**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1996, and June 30, 1995**

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**B. Reporting Entity**

The Tennessee Comprehensive Health Insurance Pool provided access to health insurance to all residents of Tennessee who had been denied health insurance for any reason. It was legally separate from the state, but the state appointed the governing board and approved the budget and plan of operation. Therefore, it has been included as a discretely presented component unit in the 1996 and 1995 *Tennessee Comprehensive Annual Financial Reports*.

**C. Basis of Presentation**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The Tennessee Comprehensive Health Insurance Pool followed all applicable GASB pronouncements, as well as applicable private-sector pronouncements issued on or before November 30, 1989.

**D. Measurement Focus and Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

**NOTE 2. DEPOSITS**

The Tennessee Comprehensive Health Insurance Pool had \$204,505.35 in the State Treasurer's pooled investment fund at June 30, 1996, and \$707,239.60 at June 30, 1995.

The pooled investment fund administered by the State Treasurer is authorized by statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of that board gives the Treasurer approval to invest in collateralized certificates of deposit in authorized state depositories, prime commercial paper, prime bankers' acceptances, certain repurchase agreements, various U.S. Treasury and agency obligations, limited money market mutual funds, and obliga-

**Tennessee Comprehensive Health Insurance Pool**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1996, and June 30, 1995**

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tions of the State of Tennessee pursuant to *Tennessee Code Annotated*, Section 9-4-602(b). The pooled investment fund is also authorized to enter into securities lending agreements in which U.S. government securities may be loaned to brokers for a fee. The loaned securities are transferred to the borrower by the custodial agent upon simultaneous receipt of collateral securities. The pooled investment fund's custodial credit risk is presented in the *Tennessee Comprehensive Annual Financial Report* for the years ended June 30, 1996, and June 30, 1995.

**NOTE 3. RISK MANAGEMENT**

The Tennessee Comprehensive Health Insurance Pool was established in July 1986 to provide a program of health insurance coverage for the individuals who did not have insurance coverage in the state. In accordance with *Tennessee Code Annotated*, Section 56-39-104, all individuals who had been residents of Tennessee for one year and were not eligible for other health insurance coverage were eligible to participate. Fund members at June 30, 1995, included less than 100 Medicare-eligible participants with supplemental coverage. Coverage for these individuals was terminated on July 1, 1995. The state did not retain any risk for losses in the Tennessee Comprehensive Health Insurance Pool. Fund deficits were covered by assessing health insurance companies doing business in the state.

The Tennessee Comprehensive Health Insurance Pool established claims liabilities based on estimates of the ultimate cost of claims that had been reported but not settled and of claims that had been incurred but not reported. Individuals and providers had 13 months to file medical claims. The process used to compute claims liabilities did not necessarily result in an exact amount. Claims liabilities were recomputed quarterly using an actuary to produce current estimates. Adjustments to claims liabilities were charged or credited to expense in the period in which they were made. The Tennessee Comprehensive Health Insurance Pool did not consider investment income in determining if a premium deficiency exists, since any earnings were immaterial.

As discussed above, the Tennessee Comprehensive Health Insurance Pool established a liability for both reported and unreported insured events including estimates of both future payments of losses and related claim adjustment expenses. The following represents changes (expressed in thousands) in those aggregate liabilities for the fund during the past two years:

**Tennessee Comprehensive Health Insurance Pool**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1996, and June 30, 1995**

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	<u>1996</u>	<u>1995</u>
Unpaid claims at beginning of year	\$ 501	\$ 2,300
Incurred claims, provision for insured events of the current fiscal year	<u>(101)</u>	<u>6,751</u>
Total incurred claims expenses	400	9,051
Payments	<u>400</u>	<u>8,550</u>
Total unpaid claims at end of year	<u>\$ -</u>	<u>\$ 501</u>

STATE OF TENNESSEE  
TENNESSEE COMPREHENSIVE HEALTH INSURANCE POOL  
REQUIRED SUPPLEMENTARY INFORMATION  
NINE-YEAR CLAIMS DEVELOPMENT INFORMATION

(Expressed in Thousands)

The table below illustrates how the Comprehensive Health Insurance Pool's, a discretely presented component unit, earned revenues and investment income compare to related costs of loss and other expenses assumed by the Comprehensive Health Insurance Pool as of the end of each of the last nine years, since the inception of the pool. This plan is now closed. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of the pool including overhead. (3) This line shows the pool's incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred. (4) This section shows the cumulative amounts paid as of the end of successive years for each fiscal year, some of these amounts are unavailable for prior years. (5) This section shows how each fiscal year's incurred claims increased or decreased as of the end of successive years, these amounts are unavailable for prior years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual fiscal years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature fiscal years. The columns of the table show data for successive fiscal years.

	Fiscal Year Ended June 30								
	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
(1) Net earned required contribution and investment revenues	1,687	4,601	10,264	11,475	11,503	12,972	11,743	4,687	42
(2) Unallocated expenses	243	477	619	508	464	431	297	225	73
(3) Estimated incurred claims and expense, end of fiscal year	786	8,612	17,993	16,557	15,877	17,750	12,701	6,751	-
(4) Paid (cumulative) as of:									
End of fiscal year	*	*	*	13,072	12,869	13,375	11,724	*	-
One year later	*	*	*	*	16,811	16,737	*	*	
Two years later	*	*	*	*	16,796	*	*		
Three years later	*	*	*	*	*	*			
Four years later	*	*	*	*	*				
Five years later	*	*	*	*					
Six years later	*	*	*						
Seven years later	*	*							
Eight years later	*								
(5) Reestimated incurred claims and expense:									
End of fiscal year	*	*	*	16,557	15,877	17,750	12,701	6,751	-
One year later	*	*	*	*	16,811	16,737	*	*	
Two years later	*	*	*	*	16,796	*	*		
Three years later	*	*	*	*	*	*			
Four years later	*	*	*	*	*				
Five years later	*	*	*	*					
Six years later	*	*	*						
Seven years later	*	*							
Eight years later	*								
(6) Increase (decrease) in estimated incurred claims and expense from end of fiscal year	*	*	*	*	919	(1,013)	-	-	

\*Data Not Available

